

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

<p>In the Matter of:</p> <p>Federal-State Joint Board on Universal Service</p>	<p>CC Docket No. 96-45</p>
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**COMMENTS OF
THE RURAL IOWA INDEPENDENT TELEPHONE ASSOCIATION**

COMES NOW Rural Iowa Independent Telephone Association (“RIITA”) and comments on the Notice of Proposed Rulemaking and Order adopted February 13, 2002 in this docket:

1. RIITA is a non-profit association of rural independent telephone companies, representing over one hundred and thirty Iowa incumbent local exchange carriers. Member carriers serve fewer than 20,000 access lines and most members are exempt rural telephone companies pursuant to section 251(f)(1)(A) of the Telecommunications Act of 1996. 47 U.S.C. § 251(f)(1)(A).

2. Under Iowa law, companies with fewer than 15,000 access lines are exempt from rate regulation. Iowa Code § 476.1 (2001). These companies are exempt because of (1) the high cost of regulating a large number of small companies, (2) the high cost to the companies to provide full cost-justification for their rates and (3) they are locally-based companies (many are cooperatives) that are responsive to the needs of their customers and re-invest their earnings in their communities.

3. Iowa has an unusually large number of small telephone companies. According to the most recent high-cost report of USAC, Iowa has 136 separate study areas. Nearly sixty percent of the companies serving Iowa exchanges report fewer than 1000 local loops. Only three

companies, Qwest, Iowa Telecom and Frontier, report local loops in excess of 15,000 and are therefore price-regulated by the Iowa Utilities Board. Only two other companies report in excess of 10,000 local loops. Eighty-one companies report fewer than 1000 loops, with the remainder reporting between 1000 and 10,000 loops. Iowa has had a stable environment in local phone service pricing and the Iowa Utilities Board (“IUB”) has not initiated a state universal service fund. In addition, almost all of the independent telephone companies are average schedule companies participating in the NECA pools and therefore no cost data has been compiled for the individual companies.

4. Because each state has a different regulatory scheme, a universal service fund may not be necessary in each state despite the court’s ruling in *Qwest Corp. v. FCC*, 258 F. 3d 1191 (10th Cir. 2001). RIITA urges the FCC to evaluate whether incentives are necessary for all states and to conclude that state utility commissions are in a better position to decide the need for a universal service fund in that state.

5. If a determination were made to provide incentives for states to adopt universal service funds, the incentives must provide sufficient time to investigate and develop a system that will work in the unique environment faced by the state. As noted, Iowa is unique because it has a large number of small, average schedule companies. Other states certainly have their own unique issues that would effect implementation. The design of a state universal service fund, with a shift of revenue from access to the fund, can result in a large loss of revenue to an individual company. For a small company, that shift could potentially threaten its ability to provide phone service to its customers. Furthermore, the funding mechanism could result in substantially higher rates to customers than they paid prior to the implementation of the fund. Rushing development of a fund would be unfair to both the companies and their customers.

Instead, the state commissions should be given enough time to develop a fund that meets the needs of the individual state.

6. With over 130 small companies, the issues facing Iowa will be different than those facing other states and the logistics in implementing a state universal service fund will be far more complex. An incentive that forces a fund without sufficient time, risks serious harm to the economic viability of small companies. This creates a risk that rural customers will be deprived of service entirely or that the rates charged to customers may become prohibitively high. Either result directly hinders the very goal behind universal service.

7. RIITA requests the FCC to allow state commissions to exercise their own judgment and expertise to determine if a state universal service fund ought to be required. Furthermore, if the FCC requires a state universal service fund, RIITA requests that the FCC allow states enough time to implement a system.

Respectfully Submitted,

/s/ Thomas G. Fisher Jr.
THOMAS G. FISHER JR.

HOGAN & FISHER, P.L.C.
3101 Ingersoll Avenue
Des Moines, Iowa 50312

ATTORNEYS FOR RURAL IOWA INDEPENDENT
TELEPHONE ASSOCIATION